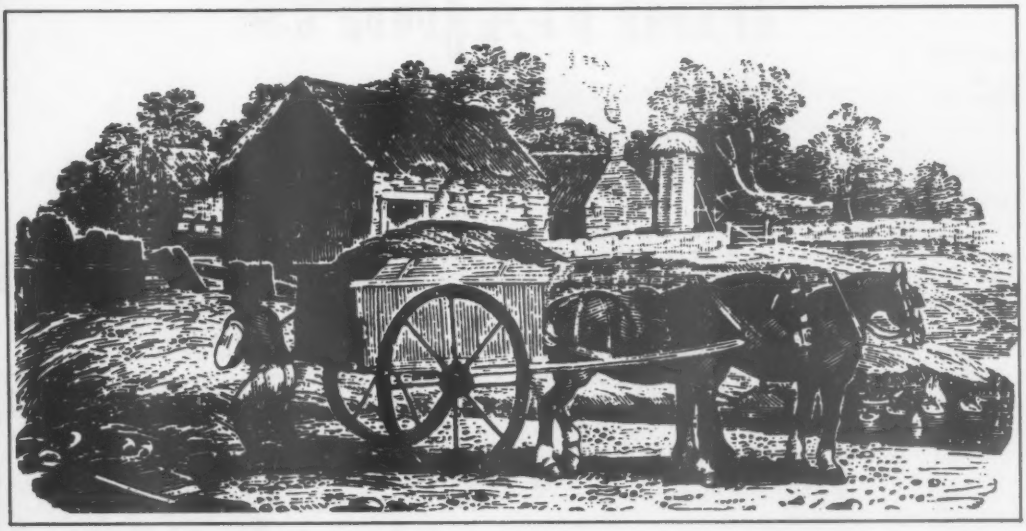
FOREIGN AGRICULTURE



Two Centuries of American Farming and Exports

October 11, 1976

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

Vol. XIV • No. 41 • Oct. 11, 1976

In this issue:

2 **Two Centuries of American Farming and Exports**
By Wayne D. Rasmussen

6 **Mexico's Cattle Industry To Be Strong in 1976**
By L. Ben Thompson

7 **Nigeria's Rising Cigarette Use Ups U.S. Leaf Imports**

8 **Hong Kong's Trade Rebounds**
By G. Edward Heslop, Jr.

10 **CCC Export Sales Credit Hits $621 Million in FY 76**
By Kennard O. Stephens

This week's cover:

American farmers have played vital roles in the drama that has been enacted in this country between 1776 and 1976—200 years that have seen great changes in U.S. agriculture. For a salute to the U.S. farmer and exporter, and a review of some of these transformations, see article beginning this page.

Earl L. Butz, Secretary of Agriculture

Richard E. Bell, Assistant Secretary for International Affairs and Commodity Programs

David L. Hume, Administrator, Foreign Agricultural Service

Editorial Staff:
Kay Owsley Patterson, Editor
Beverly J. Horsley, Assoc. Editor
G. H. Baker, Marcellus P. Murphy, Isabel A. Smith, Lynn A. Krawczyk.

Advisory Board:
Richard A. Smith, Chairman; John C. Foltz, Gordon O. Fraser, William Horbaly, James L. Hutchinson, Richard M. Kennedy, J. Don Looper, Larry B. Marton, Brice K. Meeker.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget through June 30, 1979. Yearly subscription rate: $34.35 domestic, $42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. **Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.**

Two Centuries of and Exports

By WAYNE D. RASMUSSEN
National Economic Analysis Division
Economic Research Service

IT WAS NOT BY CHANCE that Ralph Waldo Emerson wrote of farmers in his immortal stanza:

By the rude bridge that
arched the flood,
Their flag to April's breeze
unfurled,
Here once the embattled
farmers stood
And fired the shot heard
'round the word.

Farmers' grievances contributed to the American Revloution, farmers fought and won it, and farmers built the new nation. This is natural, since more than 90 percent of the population in 1775 lived on farms, and farmers had special reasons for revolt.

Trade restrictions on farm products were a primary cause of farmer discontent, uniting large planters with frontier farmers and tobacco planters with wheat growers. Tobacco, after John Rolfe began growing the Orinoco type in 1612, found a ready market in England. As early as 1621, the British Government required that all tobacco grown in the Colonies be shipped to England, where heavy duties were imposed on it. In return, the colonists had a monpoly of the British market.

The restrictions on colonial trade varied from time to time from 1621 on, but the Navigation Act of 1660 may be regarded as representative since it repeated earlier restrictions and added new ones. Under its terms, ships engaging in the colonial trade had to be British (including colonial) owned and built, and at least three-fourths of the crews had to be British subjects. More important to the planters, all sugar, tobacco, cotton, indigo, ginger, and fustic and other woods used for dyes exported from the Colonies had to be sent directly to England. In 1706, molasses, rice, and naval stores were added to the list.

Regulations affecting the sale of northern farm products took two forms: One, the imposition of heavy duties on colonial products; and, two, restrictions on trade with the French, Dutch, and Spanish West Indies. The latter restrictions were imposed most often in times of war and were frequently violated by the New England traders.

The key to the trade question was that within a short time after the Colonies were founded farmers began producing surpluses for which there was no market in America—a continuing problem for American farmers. At the outbreak of the Revolution, farmers were utterly dependent for their growth

American Farming

and prosperity, therefore, on the sale of farm produce in overseas markets. They bitterly resented the rules, often capriciously applied, that limited their access to markets.

Limitations on westward movement were another cause of the Revolution. At the end of the French and Indian War, the British Government, anxious to preserve peace with the western Indians and to protect the fur trade, forbade settlement west of the Allegheny Mountains. This boundary line, established by the Proclamation of 1763, was known as the Proclamation Line. No land could be purchased from the Indians and no settlements could be made west of the line without the permission of Royal authorities, while settlers then living west of the line were directed to leave.

The problem of land settlement in the West was not the only source of friction over land in America just prior to the Revolution. As settlers acquired land from proprietors and the Crown, they found that their titles were subject to certain limitations imposed by the proprietors and the Crown in accordance with English law and tradition. One such limitation, found in all of the Colonies except New England, and there in certain cases, was quitrent, a yearly fee on land held. A remnant of the feudal system, it had been established as a fixed fee that might be paid the lord of the manor in lieu of doing customary work.

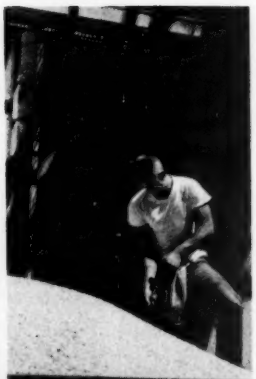
Quitrents varied widely between Colonies and from time to time. Since the Colonies were competing for settlers, the quitrents in any one could not become too burdensome, but generally they were all that the proprietors or Crown could hope to collect. In every Colony and throughout the colonial period, however, the settlers were reluctant to pay quitrents.

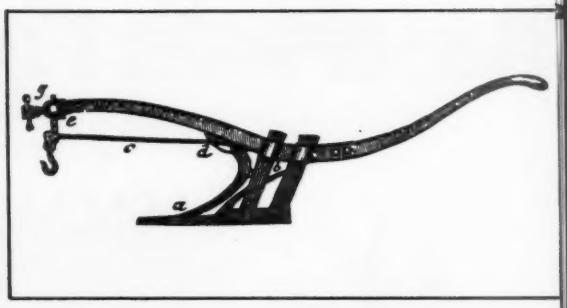
The outstanding military leader of the Revolution was George Washington, a wheat and tobacco planter from Virginia. His armies were made up mainly of farmers, who would sometimes leave for a few weeks in the spring and fall to plant and harvest the crops. Farmers, too, grew the food needed to feed the armies.

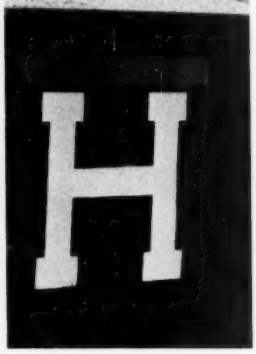
The successful conclusion of the Revolution forced a change in the patterns of trade in American agricultural products. American tobacco no longer had a monopoly of the British market, and American indigo and naval stores no longer enjoyed a British subsidy. Great Britain welcomed American agricultural products but gave them no special privileges. On the other hand, Great Britain attempted to exclude the United States from trade with the British West Indies, although shortages of food supplies forced modifications of the regulations from time to time.

Exports of food products increased substantially after the Revolution. From 1790 until 1807 there was heavy European demand to supply deficiencies caused by crop failures and the Napoleonic wars. Trade fell off in 1808, when the Federal Government, under President Jefferson's leadership, approved the first of a series of embargoes and non-intercourse acts in an attempt to force British and French agreement with the American views of shipping rights. The War of 1812 further curtailed shipping.

From 1814 to 1842, conditions in both Europe and the West Indies were unfavorable for exports of American foodstuffs. However, the increasing industrialization in England led Great Britain in 1842 to remove its prohibition on the importation of American cattle and provisions and in 1849 to abolish its duties on grain. These acts, combined with famine in Ireland and part of Europe in the same period, gave American food products a new entry to the European market. The Crimean War also increased demands for food.







Tobacco exports had declined greatly during the Revolution, then revived as British markets opened. They reached new highs from 1790 to 1792, but thereafter declined. About 1840, sales began to increase, and from 1857 to 1860 exports were more than double the average for the period of 1790 to 1792.

Cotton replaced tobacco as America's most important export crop in the period between the Revolution and the Civil War, but it took a new machine to make this possible.

At the time of the American Revolution, most of the tools used on the farm differed little from those known for 2,000 years. Grain was cut almost universally with a sickle, a curved blade with a short handle, swung from a stooped position. It was not until about the time of the Revolution that first, the long-bladed and long-handled scythe, and then the cradle, a wicker frame attached to the scythe blade to catch the cut grain, came into use.

The most dramatic breakthrough in farm production in the years around the Revolution was the invention of the cotton gin. Upland cotton grew well throughout the South. However, the lint clung tenaciously to the seed. In 1793, Eli Whitney, a young graduate of Yale University who had accepted a teaching job in South Carolina, invented a practical machine for separating the seeds from the lint. The device dramatically changed Southern agriculture. Production of cotton increased from an estimated 10,500 bales in 1793 to 4,486,000 bales in 1861.

This extensive commercial production of cotton led to the expansion of the plantation system, with its use of slave labor. The dependence of the South upon a major export crop, produced largely on slave-operated plantations, set several forces in motion that led to the Civil War. If it had not been for Eli Whitney or someone like him, cotton growing might not have become profitable, slavery could have declined and disappeared, and the Civil War might never have taken place.

Cotton became the King of southern exports shortly after the turn of the century. Great Britain was our most important customer, but cotton was also shipped to France, Holland, Germany, Russia, Sweden, Spain, and a few minor markets. The value of cotton exported rose from about $5 million in 1802 to $192 million in 1860. The value of all food products exported in 1860 was about $51 million and of tobacco, $16 million. Cotton and our other farm exports were helping pay for the industrialization of the United States.

The availability of low-cost cotton, together with the new spinning and weaving machinery adopted from England, led to the industrialization of New England's economy. Demands of the mill towns offered New England farmers expanding markets for their products. This stimulus to Northern farming, in turn, encouraged experiments with new tools, implements, and methods.

Agricultural expansion was also encouraged by four laws signed by President Abraham Lincoln in 1862: The Homestead Act, the Morrill Land Grant College Act, the U.S. Department of Agriculture Act, and the Transcontinental Railroad Act. The Hatch Experiment Station Act of 1887 made Federal grants to each State for agricultural experiment stations, while the Smith-Lever Act of 1914 established the county agent systems.

In considering the past 200 years, it must be remembered that land for farming has always been plentiful in America and less costly, comparatively speaking, than labor. Thus, any device or technique permitting the cultivation of more land with the same amount of labor usually was stressed. In these early years, the logical replacement of human labor was the horse—and a

wide variety of implements was developed to utilize horse power. But adoption was slow as farmers hesitated to invest in the implements until they felt that it would pay. The Civil War stimulated the change and resulted in the first American agricultural revolution—the change from hand power to horse power. The war-induced labor shortage, high prices, and a seemingly unlimited demand encouraged farmers to either spend their savings or go into debt to acquire labor-saving machines.

In 1870, the farm population was 18.3 million of a total of 38.5 million. Farm workers were 53 percent of all persons gainfully employed. And, because of the first American agricultural revolution, these farmers, whether they knew it or not, were in the midst of a transition from a self-sufficient to a market-oriented commercial agriculture.

Many Americans believed in 1861 that the outcome of the Civil War might depend upon England's demand for one of America's most important agricultural exports—cotton. If England recognized the Confederacy in order to obtain cotton, the South's chances of winning the war would be greatly enhanced. This Southern hope failed, partly because England was even more interested in another export of American farms—wheat.

Grain crops failed in England in 1860, 1861, and 1862, and were below normal in most of the wheat-growing nations of Europe. During 1860 to 1862, U.S. wheat exports rose from 4 million bushels to 37 million, corn from 3 million bushels to 19 million, and wheat flour from 2.6 million barrels to nearly 5 million. Cotton was no longer King.

The war left the cotton export trade in a crippled condition. It was not until 1875 that either the cotton crop or the amount exported permanently regained its prewar volume. Cotton then ranked second among America's exports and did not again become America's most important export until near the end of the century. It then held this position until World War I.

Grain, which had always been an important export and which had played its part in the Civil War, was the leading American export from the war until the end of the 19th century. As railroads pushed across the prairies and into the Great Plains, new land was opened for commercial wheat production.

Large-scale, mechanized wheat farming developed in the Red River Valley in the 1870's and then spread westward.

In 1866, the Nation grew 170 million bushels of wheat; in 1900, 655 million. In 1866, 13 million bushels were exported; in 1900, 221 million. Exports then declined until World War I.

Even as farm exports became of major importance to the American economy, many farmers found themselves in difficult economic circumstances. The opening of western land and widespread mechanization sent floods of grain to market, with declining or fluctuating prices. The farmer was advised to cut production, but no one farmer could influence the market. Cooperatives provided some help. Farmers also benefited from research carried out by the State Experiment Stations and other agencies. New machines, too, were being invented.

The first practical, self-propelled gasoline tractor was built in 1892. Tractors gained gradual acceptance up to World War I, when high prices for farm products, Government appeals for increased production, and some labor shortages encouraged their wider use.

World War I brought new demands for wheat. Exports jumped from 148 million bushels in 1913/14 to 336 million bushels the following year. The 1915 crop was the Nation's first of over a billion bushels.

World War I also caused exports of

Continued on page 11

Mexico's Cattle Industry To Be Strong in 1976

By L. BEN THOMPSON
Assistant U.S. Agricultural Attaché
Mexico City

DESPITE 2 YEARS of declining export markets for both meat and feeder cattle, the Mexican cattle economy remains healthy. Barring a severe drought and forced liquidation of herds, 1976 is expected to be another year offering price stability for, and modest expansion in, the cattle industry.

The past 2 years have demonstrated that the Mexican cattle industry is not as dependent on the U.S. economy as in the past. Slaughter-steer prices have held steady, while boning-type cattle prices have not dropped to the same degree as in the United States.. The rapidly increasing population (3.5 percent yearly), coupled with increased disposable incomes, has resulted in increased consumption of beef, a big factor in strengthening the Mexican cattle industry.

Exports of beef from Mexico to the United States dropped to approximately 29.7 million pounds in 1975, compared with 37.9 million in 1974.

For 1976, the Government of Mexico has assigned a beef export quota of 60 million pounds to the industry. Exports to the United States under the Voluntary Restraint Program were also set at 60 million pounds. Current estimates indicate Mexico has the cattle inventory to fill the quota.

Although Mexico has the cattle and capacity to ship 60 million pounds, whether or not the shipments materialize depends on the price for Mexican boning cattle, the price relationship for maquila beef (cattle from the United States slaughtered in Mexico, with all the beef from these animals exported), and the weather. (Heavy rains over most of northern Mexico in July and August have considerably improved grazing prospects.)

In 1974, maquila trade accounted for 24 percent—8 million pounds—of beef shipments. By 1975, this figure had jumped to 21 million pounds, and January-June 1976 figures indicate 13 million pounds have been shipped.

The effects of the recent devaluation of the peso on U.S.-Mexican cattle trade are not yet known.

The increased shipments of beef are the result of slightly higher prices for Mexican boning cattle—reflecting improved prices for boneless beef in the United States—and heavily stocked ranges.

Live cattle exports dropped to 196,000 head in 1975 from 435,000 head in 1974. Fortunately, there was sufficient rainfall during 1975 to maintain adequate pastures for holding cattle that had not moved into the U.S. market. In addition, 400,000 head of northern cattle had reportedly moved into the domestic slaughter market. Cattle prices, as a result, have remained relatively stable. Exports of live cattle in 1976 are running at a much higher level, and may reach 400,000 head.

Early in 1976, there was a great deal of publicity concerning Mexican exports of beef to Nigeria; however, exports did not materialize, owing to more competitive Australian and Yugoslavian prices. In addition, the Mexican beef export industry is U.S.-oriented, and transportation, freezer space, and other facilities for ocean export are not readily available.

Mexican swine breeders, who have made exceptional progress in the past few years, have been promoting the export of swine-breeding stock. Success, however, has been limited to exporting 187 head to Brazil and 70 head to Venezuela in 1975.

The State Government of Sonora, Sonora pork producers, and a Japanese firm, have financed and are operating a new hog slaughter plant in Navojoa, Sonora. The plant is equipped to slaughter, process, and freeze pork for the domestic market and for export to Japan. Annual exports of 40,000-60,000 frozen carcasses are anticipated.

Zebu breeding cattle exports are restricted, with the 1976 quota set at 2,000 head. This is a 67 percent increase from the approximately 1,200 head permitted in each of the previous 2 years. Actual exports in 1975 were 1,084 head, and imports—from the United States—were 765 head.

Livestock experimental station for breeding cat

Livestock imports in 1976 are expected to continue at or in excess of 1975 levels of 28,000 head of dairy cattle, 9,000 head of beef breeding cattle, 78,000 head of maquila slaughter cattle, and 3,000 head of breeding hogs. Sheep imports may decline from the 1975 level of 174,000 head as the Government of Mexico tightens up on the illegal slaughter sheep trade.

The value of pork and beef offal imports for 1976 are expected to remain at roughly the 1975 level—$34 million. The 1975 figures were down from $46 million in 1974, owing to increased domestic production and, for some time, difficulties in obtaining import permits for tripe. In addition, the larger imports of maquila cattle contribute to the domestic supply of beef offals.

The Government of Mexico policy that created the biggest problem for the U.S. livestock industry was the program of transferring of authority to the Mexican livestock breed associations to regulate cattle imports by being required to certify that no animals of a particular breed are available in Mexico at the price quoted for the animals to be imported. This is still in effect. Registered beef and dairy cattle are exempt from import duties.

Total cattle numbers, as estimated by the Ministry of Agriculture (SAG), were up 4 percent to 28.7 million head, as of January 1, 1976. This includes 10.4 million dairy, 15.5 million beef, and 2.8 million draft animals. Slaughter was up 8 percent to 5.3 million head; however, average slaughter weights

Hermosilo, Sonora, Mexico.

were down, and total beef production was up an estimated 5 percent.

SAG reports hog numbers up slightly from 12 million to 12.1 million head, and sheep numbers stabliziling around 5.3 million head, as of January 1976. Despite efforts to increase them, goat numbers are estimated down 5 percent to 8.8 million head from those of a year earlier.

Aiding Mexico's livestock industry is rising domestic consumption of red meat and products, which continues to increase at a rate in excess of the 3.5 percent in population growth. Red meat consumption in the Federal District, partially at the expense of broiler consumption, was estimated up 30 percent in 1975. For the country as a whole, it is estimated that red meat consumption was up 6 percent.

In June 1975, President Luis Echeverria approved a National Livestock Plan with a planned investment of 1.6 billion pesos yearly for the next 5 years. This ambitious plan included 102 development areas to provide self-sufficiency in milk production, the establishment of a Mexican breed of hogs, and increased sheep, goat, and cattle production.

As Government of Mexico investments, loans, and loan guarantees increase in the livestock sector, U.S. exporters of livestock will find a larger percentage of their exportation subject to approval, if not the selection of, Government of Mexico livestock specialists. It will become increasingly important for U.S. exporters to make and maintain contacts in the Mexican banking and rural credit institutions.

Nigeria's Rising Cigarette Use Ups U.S. Leaf Imports

SALES OF U.S. tobacco to Nigeria in 1975 jumped seven times the 1974 figures to $1.9 million, and scored another 13 percent gain during the first 9 months of fiscal 1976. Rising cigarette consumption, along with domestic production declines, have made Nigeria a meaningful market for U.S. tobacco, a trend that is likely to continue in the future.

Most of this gain has been due to increased imports of Virginia flue-cured leaf required for the top-quality cigarette market. An import duty of $2.44 per pound prohibits the import of all but high-quality leaf. In early 1975, however, the leading tobacco company in Nigeria decided to obtain a larger share of this market, an area long dominated by smuggled cigarettes, that accounted for 95 percent of the top brands consumed in the country.

To attain a larger market share, the tobacco firm in Nigeria reduced the price of its top two brands. Shortly after this price decrease, the Government changed hands and the new Administration has been cracking down harder on the smuggling (130 million cigarettes per month last year). The effect was a near-tripling in sales of these two brands in less than 6 months. Since this initial spurt in demand, there has been a steady increase in sales. This growth is expected to continue for some time, in the process pushing up demand for U.S. tobacco.

Sales of quality cigarettes have been increasing more rapidly than overall sales, owing to increased affluence in Nigeria as a result of the country's large oil revenues. There has been a continual shift to quality-brand cigarettes, which are prestige items. Curiously, nearly all cigarette sales are made on a single stick basis, as few Nigerians buy a pack at a time. Traditionally, U.S. tobacco exports to Nigeria have consisted of only "black-fat," a specialty tobacco widely used for chewing among Nigerians near the coastal regions.

Total domestic cigarette sales increased from 8.6 billion sticks in 1973 to 9.3 billion in 1974, and 10.4 billion in 1975. Sales in 1976 are estimated at 12 billion sticks. If this level is attained, it will mean an average annual sales increase of nearly 12 percent from 1973 to 1976.

Abetting the jump in demand for quality cigarettes was a substantial increase in salaries of all public sector workers in early 1975. Shortly thereafter, similar increases were granted wage earners in the private sector.

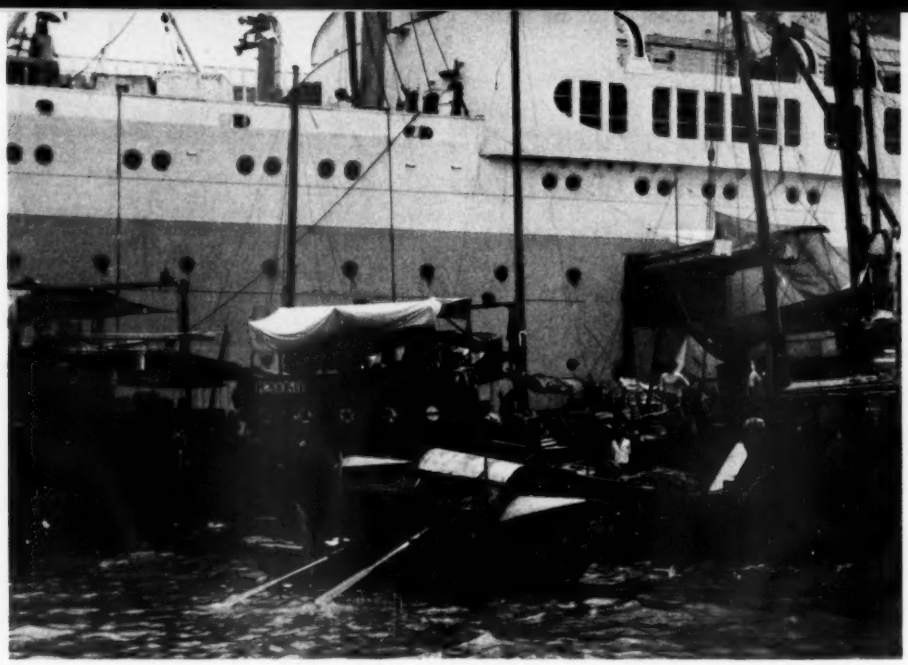
Although Nigeria produces three types of tobacco—Nigerian flue-cured, dark air-cured, and light air-cured—production is insufficient to meet domestic needs. Last season production of flue-cured and dark air-cured fell well below targeted levels owing to a drop in acreage as a result of labor shortages. The last crop of dark air-cured totaled 1,010 metric tons while the production target was 2,900. Nigerian flue-cured produced 1,660 tons while target estimates were for 2,015 tons. Through inducements of increased producer prices and mechanized preparation of seed beds, the downward trend in these two types of tobacco may be reduced.

The third type of tobacco grown in Nigeria, light air-cured, is currently in good supply owing to favorable weather last year and no labor problem in the northern section of the country where it is grown. Nearly 12,000 tons of light air-cured were produced, well above the targeted level of 10,450.

If there is another shortfall in local production this coming season, local firms will not be able to meet the demand for lower quality cigarettes. In this event there would be a further shift to quality cigarettes or the need for a reduction in the tariff to permit imports of lesser-quality leaf. Lower tariffs would also permit quality brands to compete more effectively with smuggled cigarettes. Either option would increase leaf imports from the United States.

In an effort to increase production and prevent this shortfall, the two cigarette firms in Nigeria have developed programs with farmers to produce their main tobacco needs. The companies provide subsidized seed, fertilizers, and equipment, plus extension services and purchases of all tobacco produced at a price announced in advance of the planting season. However, these companies are now becoming hard pressed to produce supplies to keep pace with the growing demand.

—By LYLE E. MOE
Former U.S. Agricultural Attaché
Lagos



Junks and sampans unload U.S. farm products in Hong Kong harbor. The 10 leading U.S. farm commodities exported to Hong Kong during 1975 accounted for 30 percent of the dollar value of Hong Kong's total imports of these commodities.

Hong Kong's Trade Rebounds

By G. EDWARD HESLOP, JR.
Assistant U.S. Agricultural Officer
Hong Kong

HONG KONG'S strong recovery from the economic downtrends of late 1974-early 1975 is expected to be reflected in a hefty 9 percent growth rate (in real terms) during calendar 1976, compared with 0.8 percent in 1975.

Agricultural imports, which had sagged during 1975, are bounding back to prerecession levels. U.S. exports of farm products to Hong Kong in the first half of 1976 were valued at $88.2 million, compared with a value of $62.6 million in the corresponding period of 1975.

Even though trade and tourism once again are thriving in Hong Kong, the area's economy is still running at less than capacity.

A rate of growth of about 7.5 percent is anticipated for 1977, and a rate of 6-7 percent is forecast for the final years of the decade—projections that are based on assumptions of continued rapid gains in the labor force, increases in productivity through investment, and growth of tourism.

Recovery of the Hong Kong economy began in the second half of 1975, reflecting improvements in world trade. The yearend levels of imports, exports, and re-exports were only slightly below the levels for calendar 1974, signaling a dramatic reversal of the downtrend. Tourism rebounded, slightly exceeding the levels of calendar 1974, and interest rates remained low but firm.

The 10 leading U.S. farm commodities exported to Hong Kong (oranges, cotton, ginseng, wheat, prepared feeds, poultry parts, grapes, apples, hides, and tobacco) accounted for 30 percent of the dollar value of Hong Kong's total imports of those commodities from all sources in 1975.

During 1974, U.S. exports of those same 10 commodities to Hong Kong accounted for 51 percent of the total dollar value of Hong Kong's imports of those commodities from all sources.

Total agricultural exports from the United States to Hong Kong during 1975 were valued at $130.0 million, compared with $184.6 million in 1974. Drastic reductions in cotton, wheat, tobacco, and rice shipments during 1975 accounted for most of the decline.

Beginning in September 1975, U.S. exports of farm products to Hong Kong surged at rates ranging from 19 to 30 percent above comparable 1974 levels.

The upturn in the economies of the United States and the European Community already has had a profound effect on Hong Kong's economy, and continued steady growth in the United States and Europe will be reflected in increased export opportunities involving Hong Kong.

In former years, Hong Kong's economy has reacted classically to recessions by producing declining price levels.

Although this was not the case in calendar 1975, Hong Kong's rate of inflation (2 percent for consumer prices; 3.9 percent for wages) remains far below the rates experienced by most industrialized nations.

Credit continued to ease in Hong Kong during the second half of 1975. Currency in circulation plus demand deposits increased 19.3 percent over 1974 levels—an increase that seemed to be closely linked to the inflow of flight capital from southeast Asia. The Hong Kong banking system is highly liquid —at the current rate of 50 percent, far above the 25 percent ratio required by law.

TOTAL employment has continued to increase, and current shortages of workers in some categories indicate that unemployment has been cut considerably. Real wages of industrial workers in September 1975 were 3.1 percent above the level of March 1975, and further rises are predicted.

Data published by the Hong Kong Department of Agriculture and Fisheries for the year ended March 31, 1975, indicate that farmers comprise

2.1 percent of the economically active population of Hong Kong and that the main types of agricultural activity are market gardening, flower growing, paddy cultivation, fruit growing, and cultivation of dryland field crops. In the livestock industry, emphasis is on poultry, hogs, and dairying.

Despite the limitations of arable land and water, agriculture remains Hong Kong's most important primary industry. Local farm production contributes significantly toward meeting domestic demand for fresh foodstuffs and also has a stabilizing influence on prices of imported food items.

The total value of crops and livestock produced during the year was estimated at about $100 million. Production at this level gives an average gross return of about $4,400 per acre.

The average annual growth rate of the gross value of agricultural production in Hong Kong has been 6.3 percent (in real terms) over the past 12 years. The past year's index of 238 showed a drop of 18 points from the year-earlier level, reflecting a decrease of 14.7 percent in real terms—a decline attributed mainly to a lower level of poultry production and an overall decrease in vegetable prices.

During calendar 1975, the top 10 imports of U.S. agricultural products totaled $122.1 million, while Hong Kong's imports of those 10 commodities from all origins were valued at $414.3 million.

U.S. exports of nearly all commodities shipped to Hong Kong were less than in the previous year, except oranges, ginseng, and apples.

The value, in millions of dollars, of U.S. agricultural exports to Hong Kong during 1975 (1974 totals in parentheses): Oranges, $24.8 ($17.9); cotton, $14.7 ($69.1); wheat, $11.7 ($15.1); ginseng, $11.7 ($10.7); prepared feed, $10 ($9.9); poultry parts, $7.6 ($8.5); grapes, $4.3 ($4.4); apples, $4 ($3.3); hides, $2.9 ($1.7); and unmanufactured tobacco, $2.6 ($5.4).

A review of the Hong Kong market for selected agricultural commodities:

Cotton. During calendar 1975, Hong Kong imported 1,063,945 running bales of cotton. The United States accounted for 81,548 bales—only 8 percent of total cotton imports. Pakistan, the leading supplier, shipped 269,484 bales —25 percent of the total.

The People's Republic of China (PRC) and Brazil shipped 142,760 and 93,128 bales, respectively. Total imports during calendar 1974 were 700,383 running bales, with the United States exporting 323,408 bales or 46 percent of the total market. During calendar 1975, 39 countries exported cotton to Hong Kong.

The Hong Kong Government has approved legislation establishing a commodity exchange, which is expected to open in early 1977, with cotton and sugar the first commodities to be traded.

Poultry. The PRC supplies virtually all of Hong Kong's imports of live chickens and other live poultry, with 12,803 tons of live chickens out of total imports of 12,820 and 14,935 tons of other live poultry out of 14,967 tons in calendar 1975.

The United States had only a modest share of this PRC-dominated market for imports of fresh, chilled, and frozen whole chickens, supplying 1,309 tons or 9 percent of total imports of 14,669 tons during calendar 1975.

The PRC supplied 11,641 tons, or 79 percent. During calendar 1974, the United States supplied 2,188 tons, 13 percent of total imports of 16,248 tons.

During calendar 1975, the United States shipped 8,078 tons of chicken parts (wings and feet) to Hong Kong and its share of the parts market was 40 percent. Major competitors in the wing market were the Netherlands and West Germany. Japan and Canada were principal competitors in the market for chicken feet. In calendar 1974, the United States shipped 10,170 tons; accounting for 53 percent of the total market.

Oranges. The United States shipped 99,079 tons of oranges to Hong Kong during calendar 1975—77 percent of total imports and a 40 percent increase over 1974 U.S. shipments, which were 66 percent of total orange imports in that year.

Hides. During 1975 and 1974, shipments of U.S. hides were 6,579 and 2,881 tons, respectively, or 36 percent of the total market for 1975 and 30 percent of the market for 1974. Australia was the leading exporter of hides

Continued on page 12

LEADING U.S. AGRICULTURAL EXPORTS TO HONG KONG

Commodity[1]	Calendar 1973 Mil. Dol.	1973 Pct Change	1974 Mil. Dol.	1974 Pct Change	1975 Mil. Dol.	1975 Pct Change
Oranges	16,194	+ 20	17,870	+ 10	24,798	+39
Cotton	36,671	+365	69,055	+ 89	14,650	−79
Ginseng	8,360	− 3	10,699	+ 28	11,738	+10
Wheat	6,844	+152	15,093	+125	11,682	−23
Prepared animal feeds	6,990	+ 38	9,864	+ 41	9,974	+ 1
Chicken parts	5,754	+ 58	8,487	+ 48	7,597	−10
Grapes	4,119	+ 54	4,398	+ 7	4,325	− 2
Apples	1,810	+ 14	3,263	+ 80	4,019	+23
Whole cattle hides	1,410	+ 75	1,599	+ 11	2,838	+78
Tobacco	2,730	− 9	5,422	+ 99	2,598	−52
Lettuce	1,014	+248	1,239	+ 22	2,302	+86
Frozen beef	1,212	+ 91	1,049	− 13	1,553	+48
Canned soup	1,233	+ 69	1,217	− 1	1,082	−11
Lemons	639	+ 15	945	+ 14	1,076	+14
Preserved eggs	1	0	812	0	931	+15
Celery	717	+ 98	694	− 3	733	+ 6
Prunes and plums	697	+123	954	+ 37	504	−47
Dry whole milk	1,841	+240	1,269	− 31	427	−66
Essential oils	836	+341	682	− 18	350	−49
Rice	27,941	0	2,626	− 89	116	−96
Total (20 exports)	127,013	+158	157,237	+ 27	103,293	−34
Total U.S. agricultural exports to Hong Kong	147,084	+117	184,576	+ 26	130,326	−29
20 Exports as percent of total	86	—	85	—	79	—

[1] Rank based on calendar 1975 values.

Celebrates 20th anniversary

CCC Export Sales Credit Hits $621 Million in FY '76

By KENNARD O. STEPHENS
Commercial Export Program
Office of the General Sales Manager

THE COMMODITY CREDIT Corporation's (CCC) Export Credit Sales Program completed 20 years of service to U.S. producers and exporters of farm commodities in fiscal 1976, a year in which CCC-financed export sales totaled $621 million—more than double the fiscal 1975 level of $249 million.

For a score of years, this CCC program has been an effective U.S. Government mechanism for moving agricultural commodities into foreign markets on commercial terms. It has also served as a strong lever to assist nations to move from their status as concessional buyer of U.S. commodities to that of cash customer.

The CCC Credit Program volume has fluctuated from its modest beginning in 1956, when only $2 million in sales were financed, to its 1973 peak of $1.1 billion, bringing the Program's lifetime total to about $4.4 billion.

The sizable increase in CCC credit activities over the years was brought about by several factors. For example, the large size of U.S. crops—especially wheat, corn, and soybeans—resulted in their being stockpiled in large quantities, giving rise to strong efforts to cut these stocks. At the same time, because of the worldwide economic recession and rapidly rising oil prices, many buyers found themselves without sufficient foreign exchange to pay cash for their food and fiber imports needed to meet minimum consumption requirements.

Responding to such market conditions, in 1976 the CCC Credit Program reinstated feedgrain export sales to the list of commodities eligible for CCC financing, along with soybeans, soybean meal, soy protein, and cottonseed and sunflowerseed oils. This brought the total number of eligible commodities to 26, compared with eight at the beginning of fiscal 1975.

Sharply larger supplies of wheat, corn, rice, and tobacco caused their CCC-financed exports to increase in fiscal 1976. In contrast to the previous year, some exports of wheat flour, raisins, and breeding cattle also were financed, and there were first-time shipments of soybeans, soybean meal, soy oil, and dry edible beans.

Cotton exports in 1976 increased as Assurances negotiated by a team from USDA and the Department of State with Korea, Taiwan, and the Philippines were implemented. These agreements were made in the spring of 1975 to prevent these countries from defaulting on purchases of about 1.4 million bales of cotton.

Sales of CCC-financed exports were made to 25 countries in 1976, compared with 17 countries last year. The top 10 markets for CCC Credit, in declining order of dollar value, were South Korea, Poland, Pakistan, Indonesia, the Philippines, Peru, the United Kingdom, Morocco, the Dominican Republic, and Greece.

In its early years, the CCC Credit Program helped to reestablish Japan and Western Europe as primary U.S. cash markets, which they are today. Since then the Program has helped to maintain, expand, and develop many U.S. farm markets in Eastern Europe, North Africa, Latin America, and other areas. It has also helped U.S. exporters meet competition from other suppliers such as Canada, Australia, and France —countries that also provide credit to boost sales of their farm products.

Perhaps the Program's most important role was to help such countries as Brazil, Ecuador, India, Pakistan, Korea —and some other developing countries —make the transition from concessional markets under P.L. 480 to commercial purchasers of U.S. farm commodities.

The CCC Program is a self-sustaining program. Interest rates it charges are higher than those the Commodity Credit Corporation pays for the money it borrows. In its 20-year life, there have been some credit arrearages but no bad-debt losses.

The CCC Credit Program is strictly a commercial Program designed to promote dollar sales. Credit is granted under 6-month to 3-year financing at commercial interest rates. Payment is guaranteed by irrevocable commercial letters of credit from a U.S. bank or from an approved foreign bank. Interest rates are reviewed monthly, the current rates being 8 percent for U.S. bank obligations and 9 percent for foreign bank obligations. Since financing is usually provided by a foreign importer —rather than a foreign government— for purchases from an individual U.S. exporter, the letter of credit is drawn by the importer.

CCC obtains its payment by drawing against the letter of credit. In the case of financing for 1 year or less, principal and accrued interest are collected at the end of the financing period. When 3-year terms are extended, repayment is made in three equal annual parts, plus accrued interest. Because the CCC has no overseas offices, 10 percent of each foreign bank letter of credit must be confirmed by a U.S. bank to facilitate payment to the CCC.

CCC EXPORT CREDIT SALES PROGRAM: TOP 10 CREDIT MARKETS IN FISCAL 1976, COMMODITIES PURCHASED
[Value in millions of dollars]

Country	Value[1]	Commodities purchased
Korea	204.2	Cotton, wheat, tallow
Poland	86.1	Wheat, corn, soybean meal, cotton, soybeans, tallow, tobacco, rice
Pakistan	44.4	Soybean oil, wheat
Indonesia	42.0	Wheat, cotton
Philippines	33.0	Tobacco, cotton
Peru	32.0	Wheat, soybean oil
United Kingdom	31.0	Tobacco, raisins
Morocco	23.1	Wheat
Dominican Rep.	19.5	Soybean oil, wheat, dry edible beans, rice, corn
Greece	17.3	Corn

[1] Preliminary.

Two Centuries

Continued from page 5

meat and meat products to reach a level six times their prewar value. In 1914, 399 million pounds of meat, carcass-weight equivalent, were exported. The following year, the figure was 932 million pounds, and in 1919, it was 1,896 million.

At the outbreak of the war, the 1914 crop of cotton was 16 million bales, the largest that had ever been grown in this country. Within a year prices dropped nearly one-half, and exports fell off from 8.7 million bales in 1914 to 6 million bales in 1915. Prices began to improve in 1917, and 1919 is remembered as the year of the $2-billion cotton crop. Tobacco exports remained lower than prewar until 1918/19; however, prices rose, partly because of the increased demand for cigarette tobacco.

The overall effect of the war was to bring about an abnormal expansion of potential production, especially with respect to a few major crops. Cultivated cropland increased 10 percent between 1913 and 1919; feedgrain production increased 16 percent, foodgrains 26 percent, and livestock and livestock products 9 percent.

Unfortunately, this increase reached its peak as demand fell off. Agricultural prices dropped sharply and unexpectedly in the summer of 1920. It was generally believed after World War I than an enormous demand for American farm products would follow the removal of restrictions on consumption in the European nations. Instead, when the United States curtailed its loans abroad, foreign countries had no way to pay for their products in the face of American tariffs, and they were forced to cut their imports. At the same time, the European nations encouraged increased production at home and made their foreign purchases from nations that would accept industrial goods in payment instead of cash.

The volume of agricultural exports fluctuated about one-fifth below the wartime peak of 1918/19 in the period from 1921 through 1929. The worldwide depression beginning in 1929 caused a further severe decline in foreign demand. By 1934/35, volume was nearly 60 percent below the 1918 level. Thereafter, it increased slightly until World War II. The annual value of exports was around $2 billion from 1924 until the depression, and from 1931 until the war, the value was about three-quarters of a billion dollars each year.

Low farm prices, combined with higher costs for what farmers bought, kept agriculture in a depressed state during the 1920's and early 1930's. Several proposals to dispose of surplus products abroad at world prices were made, but none became effective. Instead, cooperatives were encouraged, and in 1933, the Agricultural Adjustment Act became the first of a series of laws to encourage the adjustment of production to demand. Economic conditions improved during the 1930's.

World War II saw a collapse in agricultural exports. In 1940/41, they reached the lowest point since about 1870; the total value of $350 million in that year was only 9 percent of the total value of all exports. However, the usual wartime demand for food and the inauguration of the Lend-Lease program quickly brought a reversal of the trend. By the end of the war, volume was about four times the 1940/41 low, but neither volume nor value reached the World War I peak.

Agricultural exports increased at the end of World War II. Lend-Lease was discontinued, but emergency relief programs immediately after the war and subsequent foreign aid plans kept exports high.

A virtually complete transition to mechanization, marked by the change from animal power to mechanical power, was triggered by World War II. During the 1930's the New Deal farm programs had gotten enough money to farmers that some replaced worn out machines with current models. The rural electrification program brought a new major power source to many, and eventually to nearly all, farms. However, it took World War II, with its farm labor shortages, its high prices for farm products, and its seemingly unlimited demand to convince nearly all American farmers to turn to tractors and other farm machines.

Mechanization was one part of the second American agricultural revolution. It, together with greater use of lime and fertilizer, widespread use of cover crops and other conservation practices, irrigation whenever necessary, use of improved varieties and breeds, adoption of hybrid corn, a better balanced feeding of livestock, the more effective control of insects and disease, and the use of chemicals for such purposes as weed killers and defoliants made up a package of practices. The idea that the total package resulted in greater production than the sum of the parts was developed by a team of researchers from the U.S. Department of Agriculture and North Carolina State University who were working on methods for growing hybrid corn in the southern United States. This was a systems approach to the problems of increasing agricultural productivity. The effects were revolutionary so far as production was concerned. In fact, since 1950, production per man-hour in agriculture has increased at a rate of nearly 6 percent a year, compared with 2.5 percent for all other industries.

The number of farms in the United States has declined from 6.5 million in 1920 to 5.6 million in 1950 and 2.8 million in 1975. The drop has resulted primarily from the machinery and other technology that permit a farmworker to handle a much larger acreage than he could before. In 1950, there were 9.9 million persons working on farms, compared with 4.3 million in 1975.

Large exports of U.S. grain in 1972 disposed of the surpluses that had been accumulating since the 1950's in spite of large relief donations and P.L. 480 shipments abroad. As a result, prices increased and production restrictions were removed from major commodities. Foreign demand has continued high, permitting farmers, in general, to market their crops at reasonable prices.

Historically, changes in farming over the past 200 years have been so great that the Revolutionary War soldier-farmer would recognize only a few of the tools and none of the machines on today's farm. The increases in farm production and productivity during the two centuries provided the basis for the industrialization of the Nation. Agriculture earned vital foreign exchange and surplus capital for investment in industry. It provided a constant supply of food at modest cost for the factory workers in our growing cities and produced some of the raw material for the factories. Many young people left the farms for the cities, where they became factory workers, businessmen, teachers, doctors, and leaders of the Nation. These contributions and changes will continue into the future as farmers produce the food and fiber needed by the United States and nations overseas.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

First Class

FA SERIA300SBISSDUE058R 1
SERIALS DEPT
XEROX UNIV MICROFILMS
300 N ZEEB RD
ANN ARBOR MI 48106

Israel's Airfreight Rates May Boost Produce Exports

During the past decade, Israel has become an important supplier of fresh fruit—other than citrus—and vegetables to Europe. A sizable portion of this $120 million trade is airfreighted, but until recently many exporters were dissatisfied with the traditional carrier's service and prices. Now, however, owing to increased competition from a new air cargo carrier, freight rates have been slashed by more than half, and fresh agricultural exports are expected to increase substantially.

Airshipment is used primarily for transporting products that perish rather quickly—strawberries, flowers, celery, live chickens, hatching eggs, goose liver, and, to some extent, avocados, melons, and peppers. Until recently, Israel's national carrier had a virtual monopoly on this trade, while other airlines made only residual shipments. Products were shipped on a "space available" basis on regular passenger flights, with occasional shipments made on specially chartered cargo planes.

As prices mounted and dependability deteriorated, exporters became progressively disenchanted with the manner of shipment. In 1975, costs had reached roughly $700 per metric ton for cargoes airfreighted from Tel Aviv to Frankfurt, West Germany.

Owing to the mounting airfreight costs. Israel's main exporter—AGREXCO—made a concentrated effort to switch transportation from airfreight to fast refrigerated ships, running a weekly service from Haifa to Marseilles. (AGREXCO is a Government-controlled company, managed by producer representatives as a nonprofit organization. The company deals with all fresh argricultural exports, except citrus and peanuts.)

During the 1975/76 export season, about 60,000 metric tons of various products were shipped in refrigerated containers in this "roll on-roll off" manner. Roughly 30,000 tons of produce were shipped to the United Kingdom (and occasionally to ports on the North Sea) by other surface vessels, while 30,000 additional tons were still airfreighted to West Germany and Scandinavia.

Then, in late 1975, plans to set up another carrier—Cargo Airlines (CAL)—were announced. CAL was to transport Israeli agricultural products via chartered jumbo jets on fixed schedules to Central Europe, and attempt to get payloads for return trips.

Actively aided by AGREXCO, CAL obtained landing rights at Cologne, West Germany, and prepared to begin operation in October 1976. For the first time, AGREXCO published a tender for its 1976/77 air transportation requirements. Although the national carrier lowered its rates by over 50 percent, CAL rates were even lower and it obtained the tender.

Agricultural exporters will likely enjoy substantially lower freight rates in the coming season. For some products—strawberries, lettuce, celery, and flowers—a $400 reduction in transportation costs means an addition of 30-60 percent of the f.o.b. value. Although larger quantities may not become immediately available for export, the new transportation situation is certain to give exports of fresh produce a boost in 1977.

—Based on report from
ROGER F. PUTERBAUGH
U.S. Agricultural Attaché, Tel Aviv

Hong Kong's Trade

Continued from page 9

to Hong Kong for both years, with 8,667 and 4,182 tons for 1975 and 1974, respectively.

Wheat. Hong Kong's imports of wheat were 103,852 tons for calendar 1975. Of that total, the United States supplied 77,383 tons—74 percent of the market. During 1974, total imports of wheat were 130,519 tons, with the U.S. share 84,061 tons or 64 percent of the total. Austraila shipped 18,722 tons of wheat to Hong Kong in 1975, compared with 19,200 tons in 1974.

Tobacco. Total imports of stripped and unstripped tobacco from the United States were 1,054 tons during 1975 out of total Hong Kong imports of 3,768 tons. During 1974, imports of stripped and unstripped tobacco from the United States totaled 1,645 tons out of total imports of 4,866 tons.

During 1975, about seven times more unstripped than stripped tobacco was exported to Hong Kong from the United States. The United States, leading supplier of cigarettes to Hong Kong, shipped 4,424 tons valued at $31.5 million in 1975, compared with 4,850 tons valued at $29.6 million in 1974. The United Kingdom was the second largest supplier for both 1975 and 1974.

*U.S. GOVERNMENT PRINTING OFFICE: 1976 211-407/65 1-3